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A LETTER

ON

NATIONAL CURRENCY,

ADDRESSED TO

The Secretary of the Treasury,

BY

ELEAZAR LORD.

NEW-YORK:

A. D. F. RANDOLPH, No. 683 BROADWAY.

1861.

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A LETTER ON NATIONAL CURRENCY.

PIERMONT, N. Y., Nov. 22d, 1861.

To the Hon. SALMON P. CHASE, Secretary of the Treasury,
Washington :

SIR : The recent financial discussions and measures, in which you have taken so prominent a part, and which have resulted thus far so favorably to the credit and efficiency of the National Government, are matter of universal admiration and applause. No proceedings of a like nature and of equal importance were ever before, it is believed, so suddenly and harmoniously planned and adopted in any country.

The outbreak of the rebellion had been so sudden ; its plans and preparations were so little understood or even imagined ; the Government, in respect to its military and its financial condition, was so unprovided and powerless ; the political parties and organizations were in such antagonism and confusion ; the industrial and commercial affairs of the country were so suddenly paralyzed and overspread with gloom, that no one could have predicted the occurrence of a like sudden outburst of counteracting and effective influences, decisions, and measures : the subsidence of party spirit, the union of all parties, the uprising of the united people, the voluntary enlistment of military legions, and last, but not least, the voluntary supply, by the joint concurrence of the capitalists and the people, of the millions of ready money required by the exigency. In every view the spectacle was as impressive and as sublime as the facts were unprecedented and the measures novel.

These timely and extraordinary movements and events have

indeed been brought about with such apparent ease ; they imply so just a comprehension on the part alike of the administration and the people of the nature and greatness of the emergency ; the success of the preparations, military, naval, and financial, is so complete, that there may perhaps be danger of a growing and prevalent impression that all that is requisite in these respects has been done or is secured ; that a short campaign will crush the rebellion and restore the affairs of the nation to their former condition, and open the channels of internal and commercial enterprise to more than their former security and prosperity ; that a relapse into the former course of affairs is all that should be expected or desired ; in a word, that when the rebellion is suppressed, there will be nothing in the internal and commercial condition, or in the foreign relations, of the nation to require any special foresight and preparation.

I propose to suggest some considerations, particularly with reference to our internal currency, which appear to me to demand the adoption of some important regulative measures.

An ample, sound, and uniform currency is a first necessity to a nation, and especially to a growing and prosperous nation which has an extensive commerce with other nations. It is the prerogative and duty of the government of a nation to provide and regulate such a currency. This is as inherently and as obviously a prerogative and duty of the Government as it is to protect the rights of individuals to their property and the fruits of their labor, to prescribe commercial regulations, or to exercise any of the functions of supreme national authority. To leave the currency (which is to the property, the labor, the pecuniary relations, convenience and comfort of the people what the atmosphere is to their physical life and welfare) to the fluctuations and derangements incident to our traffic with foreign nations whenever we import more of foreign commodities than we export of our own, and the precious metals are withdrawn to liquidate the balance, is to omit an imperative duty. Under an elective government like ours, it is a kind of self-immolation, a suicide.

When the plan of the recent national loans was adopted, the currency of the Western States was deranged and discredited. The payment of debts due to the Atlantic cities was impracticable. The movement of agricultural products to

market was checked. That feature of the plan which contemplated raising the required loans wholly from the people of this country was patriotic and admirable. But that feature which proposed to borrow largely on circulating notes of the Government, to be put in use as currency at the West and elsewhere, was most sagacious, timely, and commendable. Those notes are not only in themselves as secure as gold, but within the country they are as universally and uniformly current. They supply a defect which were it not supplied would soon have put a stop to further loans. By facilitating the payment of debts and the transit of exportable commodities from the interior, they practically renew, restore, reproduce the ability and means of further loans. In proportion to the extent to which they shall be put in circulation for supplies, wages, and other military and national disbursements, they have the effect of turning the labor, products, and manufactures of the country into currency, and to create the ability and means of further loans, and of paying interest on them.

Now it is plain that provision for the continuance throughout the country of the same or of an equivalent local currency must be made, or when the rebellion is crushed there will be a revulsion and a collapse which will drain the country of its precious metals and occasion an export of the national stocks, and throw our internal and commercial affairs into a worse state than ever heretofore. The grounds of this belief shall be given by and by.

I shall first indicate the qualities of the currency which our condition and relations demand; next the measures necessary for providing it; and lastly, the actual and probable condition of things when the war is over, which render the adoption of these measures expedient and obligatory.

1. An ample, sound, and uniform currency must be secured against any great fluctuations in quantity and value, whether by an export of metallic coin or by other events. It therefore can not itself be a metallic currency, without such commercial laws and regulations as would conflict with foreign commerce. But it may be rendered as safe to those who hold it in the form of bank-notes by the deposit of national stocks as security, and by legal enactments, as a like amount of gold and silver would be if rendered inexportable. Such a currency should be universally and uniformly current within the country at par,

and every man should be secured in the right to pay his debts in the same currency in which he contracted them. It should be inexportable on pain of forfeiture. The securities pledged for the safety of the notes issued, and for the custody of them, should be prescribed with adequate sanctions and guarantees of permanency.

2. As to the measures which may be adopted. The essential element of a circulating currency is credit.—confidence of security—faith in the genuineness and safety of the circulating medium. The sole use of a currency is its use in effecting exchanges and payments. This use does not depend on the nature of the symbol or medium used. If it is rendered certain that the legalized currency will remain unchanged in respect to its safety, and if it is by law made receivable in payment of all debts—and on the other hand if it can not itself be exported, nor be deranged and suppressed by an export of coin or bullion—then it will uniformly and perfectly fulfill the purpose of facilitating exchanges and payments. Whether the material or symbol employed in circulation has any *intrinsic* value, or any value other than its capability of use as currency, is of no consequence. If gold is preferred on account of its being regarded as having a value as metal, it is only because it is supposed to be safer than paper or any other symbol. It is no more capable of being *used* as currency than paper. Its value in that respect is no greater than that of paper; and if the circulating paper can be made as safe to the holder, and be legally used in all payments with equal effect as gold, its being intrinsically of less value as a commodity can be no disparagement to its value for use as currency.

The notion that gold is by its qualities as a metal, or by its limited quantity, or by its being universally current, a *standard of value* by which to measure and determine the value of other commodities, is a mere figment, unworthy to be tolerated in a country which has any foreign commerce or any enlightened legislation. It is indeed by law arbitrarily constituted and treated as a standard, in the sense that weights and measures are fixed by law. But there is no analogy whatever between the two objects. Weights and measures are determined by mathematical and immutable principles, as much beyond the reach of change as the principles of geometry. They are the

some absolutely the world over. They can not be changed, diminished or increased by export or import. Gold is, in respect to quantity, a variable, fluctuating commodity, subject to be increased by mining, to be diminished in one country by export to another, and to be suppressed by hoarding. To make it analogous as a standard of value to weights and measures as standards, the quantity must be absolutely limited and fixed. In each particular country there must be a fixed and invariable quantity, as really as measures must be of invariable length to be standards of lengths. To make the two practically comparable under a system of foreign commerce and exchanges, it would be necessary to suppose that a nation had a certain number of measures of length, say of yardsticks of three feet; that by exporting one third part of the number the remainder should be reduced to two feet, and that by importing the three foot yardsticks of another country, their own should be lengthened to four feet or indefinitely.

Gold is properly a commodity of commerce. Its being exportable and every where in demand, and its relative quantity in a constant course of flux and reflux, render it as unfit to be taken as the measure and standard of value as bushels of wheat or pigs of cast-iron. Apart from law and usage, there is the same propriety in asking how many grains of gold will a bushel of wheat purchase, as in asking how many bushels of wheat an ounce of gold will purchase. In the nature of the case and in traffic the wheat and other articles of commerce are as really the measure and standard of exchangeable value as the gold; and it would be every way as legitimate to fix the price per bushel of wheat delivered in payment of debt as to fix the price per ounce of gold as a legal tender.

Now, a measure and standard not of intrinsic, but of relative and exchangeable values, which depend on the proportions of supply to demand, can be so fixed as to preclude fluctuations in the currency as a commodity. Let the symbol employed in circulation be effectually secured as representing absolute value; let it be without intrinsic value, a mere symbol, inexportable and inconvertible, except under certain prescribed conditions. There would be no more necessity of making such a currency convertible into something else at the will of the holder, than there is of making coined gold, by special law, convertible at the will of the holder into wheat or some

other commodity. The law leaves coined metals without this provision, on the ground that they possess in themselves an absolute or intrinsic value. Bank-notes may be made to represent as reliable a value as the precious metals possess. And if with such a currency the holder desires to possess himself of gold, of wheat, or of any other exportable or useful commodity of commerce, the market will be open to him with the same advantages in respect to one article as with respect to any other. There may be fluctuations in the prices of corn and in the prices of gold, corresponding to the fluctuations of supply and demand; but the currency will not fluctuate. He will buy one commodity with the same currency with which he buys others, and pay debts in the same as that in which they were contracted. For the simple reason that the currency itself would remain without fluctuation, it would be a perfect rule, measure, standard, for the settlement of exchanges, the liquidation of accounts, the payment of differences.

For the realization of such a state of things, the measures requisite may be thus indicated: Let the Treasury Department (or a bureau under the responsibility of the Secretary) be authorized to propose to the existing banks throughout the country, and to new banking companies, to invest their capital at once, or gradually, in part or wholly, in the national stock, (which, when due, is redeemable in specie,) having twenty or more years to run; to deposit the said stock with his department as security for circulating notes to a like amount; to receive the said notes from his department from plates held by him, and with a pledge of the national faith on them for their safety, answerable to the pledge in the stock deposited; to constitute such notes, so secured and issued, a legal tender in payment of all debts, taxes, duties, accounts, etc., public and private, accruing and becoming due after their date, and to make them redeemable at his department, in the pledged stock of the Government, at the current market price, in sums of ten, twenty, or fifty thousand dollars, on surrender of the notes on the days when interest is due and payable on the said stock. If deemed necessary, let the notes under the denomination of five dollars be redeemable in coin on demand, and if the banks think it safe to have five, ten, or twenty per cent of their capital in coin, and to issue their own notes of less denomination than five dollars redeemable on demand, let them

do so, and invest the rest of their capital in national stock, in exchange for treasury notes.

Let the coinage of gold and silver, except for change of one dollar and under, cease as this system goes into effect. Beyond this let gold and silver be regarded and dealt with as bullion, like other commodities of intrinsic value.

Some minor regulations may be required for ascertaining the true market value of the national stock from time to time; requiring one, two, or three months' notice prior to any surrender of notes and demand of pledged stock, and prescribing regular quarterly statements of the amounts pledged and notes issued to the respective banks.

Among the advantages of this plan, the following may be briefly stated:

It would furnish a national currency, universally current, founded on as absolute value as the property and faith of the nation can furnish, free from the fluctuations of foreign commerce, not dependent for its existence on the state of affairs in foreign nations, on a drain of the precious metals, on the solvency of bankers, or on the abundance or deficiency of crops.

It would absorb the national debt, and thereby interest every citizen in the stability, integrity, property, and revenue of the Government. Being a national arrangement for internal domestic purposes, it would perfectly subserve the interests and convenience of the people. By preserving its own equilibrium on a basis of national security, it would preclude sudden and violent revulsions of trade, and tend to cause foreign exchanges to rule in our favor.

It would fulfill a first obligation of the Government, that of protecting the people in their mutual transactions, by furnishing them a safe and uniform medium of circulation and exchange, as well as by furnishing them a uniform system of weights and measures.

It would not derange, injure, or interfere with existing banks of good credit, or affect them any further than it might, by its superior advantages, induce them to adopt it.

It would powerfully tend to bring up existing banks to its own standard of security, and to induce such as are crippled to embrace its provisions.

It would offer the only prompt and available means of supply-

ing a sound currency to the Western States, while they have commodities to sell, but are deficient of specie, and from their local circumstances and the nature of their resources, can never have a stable, adequate, and uniform currency, based on specie and redeemable at will. The irresistible tendency to a constant drain of specie from those States, their inability to hold any great amount of dead, unproductive capital, in the form of coin; the uncertainty of a regular and constant market for their products, and their ceaseless exposure to excessive purchases on credit in the sea-board markets, will be likely hereafter, as heretofore on the existing system, to be prolific of evils. But this plan would offer ample inducements to the influx of capital in the form of productive national stocks for banking purposes, and as security for circulating notes.

A material, and one of the most important effects of this system would be that of exempting the holders of notes secured by national stocks, and bearing the stamp, the image, and superscription of the Government, from all danger of loss; for those notes, being a legal tender and exchangeable into Government stock, would be absolutely secure in themselves, and at all times uniformly available as currency and in payment of debts. Under the old system of banking, by issuing notes not secured by pledge of stocks to the like amount, losses incurred by excessive issues, unsafe loans on commercial paper, drains of specie, suspension of specie payments, and insolvency of banks, fall on the bill-holders; and a revulsion in commerce, or in the affairs of any one portion of the community, from over-trading, speculation, or any species of disaster, is rendered universal in its effects on all the other classes. For illustrations of this and other bearings of the proposed national system, I refer to my *Essay on Credit, Currency, and Banking*, published in 1829 and 1834, from which the principal provisions, the pledge of securities, issue of circulating notes, (to the amount only of security pledged,) countersigned and registered by the department of Government holding the securities and the engraved bank-note plates and other details of the free banking system of this State, were taken. The successful and beneficial operation of that system in this State is known. It would have been perfectly successful in the case of every bank, had the prescribed securities been such only as ought to have been allowed.

Of the objections which may be supposed to have force against the proposed measures, those only which are likely to be thought most formidable can now be referred to.

Some may deem it an objection, that the national Government should interfere with the national currency. In answer to this, two considerations only need to be suggested. 1. The providing and regulating of a national currency is under the Constitution as truly a prerogative and duty of the Government as the prescription and regulation of weights and measures, the institution and regulation of judicial tribunals, a revenue system, a postal system, or any other object of national legislation. The Government has exercised this prerogative in a degree by the coinage of the precious metals. But those metals do not, never have, and never can supply an adequate quantity of currency—never can without a tariff which should insure a constant influx from abroad and such restrictive laws as should prevent their exportation. A safe, adequate, and uniform currency must, therefore, be otherwise provided for, or the derangements, fluctuations, and revulsions of former times must recur and prevail. 2. The present exigencies of the Government and of the nation require the proposed action—of which more hereafter.

It may be objected, that the proposed system would be expensive to the Government—that is, to the whole people as represented by the Government. But suppose it should. Suppose that no part of the expense should be exacted *pro rata* of the banks. Suppose the whole expense of administering the system, superscribing and guaranteeing the circulating notes, and if necessary holding on hand ten or twenty millions of coin for emergencies should annually amount to a considerable sum. Is not the mint expensive? Are not the judicial system, the revenue system, the naval system, expensive to—the people? But are not these systems necessary to the interests and welfare of the people? And is not a sound, ample, and uniform currency necessary to their welfare? What does the Government exist for but to provide for these and the like necessities? The utmost expense of the proposed measures would be as nothing compared either with the benefits of such a currency to the whole people, or to the losses, sacrifices, perplexities, and inconveniences, constantly incident to the existing system. Even should the Government undertake to redeem

at the national treasury, at par, on demand, in cash, the circulating notes issued on the deposit of national stock, and should that operation cost the Government in loss of interest on specie and otherwise twenty millions a year, it would be a cheap provision of a sound and uniform national currency. It might cost a sum equal to three fourths of one per cent, or even one per cent of the gross annual product of the labor, machinery, and capital of the whole people; but by sustaining the acquisition and maintaining the just value of that product, it might add ten, twenty, or sometimes even fifty per cent to its available and effective results. Even were the whole volume of the actual currency, supposing it to be increased from the usual average of \$6 or \$7 to an average of \$10 per capita of the population, annually sunk in providing a sound, ample, and uniform currency for the whole people, it would be a cheap purchase compared to the results of the present system. All the other causes ordinarily affecting unfavorably the internal interests, labor, products, exchanges, credits, of a country are insignificant, compared with the evils of a precarious, fluctuating, unsafe, unequal currency, alternately scarce and in excess, promotive of speculation, and causing depression, an instrument of individual cupidity and of universal anxiety and misery.

It may be objected that such an ample, stable, and uniform currency would inflate the prices of our commodities, and hinder the export of them to foreign markets where lower prices ruled. But this is as certainly a fallacy as that there is any force in the laws of trade. The price of exportable commodities depends solely on the relative proportion of supply to demand. If we have an excess of wheat or of any other product for export, the price will inevitably be determined by the ruling price resulting from the state of supply and demand in foreign markets. If we have no excess, and the price at home is relatively high, it will be so for the same reason as in the other case. The character of the currency can no more affect this question than the exporter's method of keeping his accounts. An irregular, deficient, and unsafe currency may hinder the production and transport from the interior of an excess of wheat or of other commodities; and a sound, uniform, and adequate currency may greatly promote an excess of products; but the proportion of supply to demand can alone determine

the exchangeable value, the current nominal price both for consumption and for export.

It may be objected that the issue of a large amount of treasury notes would be dangerous to the Government. But what could possibly be safer to the Government than to have its debt diffused among the people who elect and constitute the Government their agents—to have it distributed in small sums among the electors, to have it recognized, handled, and appropriated to a most useful purpose, to have it made the means of enabling them to pay and as holders to receive the annual interest? Is this not safe to them and to their official agents? Is it safer to have the national stock lie dormant in the coffers of the affluent few, a tax on the people without use or benefit to them? Is it safer to export it to foreign countries, and to drain this country annually of gold and silver to pay the interest, and finally to discharge the principal? If the national stock is safe to capitalists at home and abroad, the notes for the same reasons are as safe, and more safe, because the use of them will enable the people to pay the annual interest.

Finally, it may be objected that the proposed measures are novel, and the adoption of them would be hazardous as an experiment. But their novelty is not necessarily a valid objection. It may be its greatest recommendation. The old systems of metallic, and of joint metallic and paper currency, have been tried and found wanting. The purely metallic system is a mere remnant and badge of barbarism, where neither private nor public faith existed; and of feudalism, where the currency and the laws existed for the protection and benefit of the lords rather than the people. When on the growth of arts, a division of labor, and the rise of a middle class in Great Britain, gold and silver exclusively were made a legal tender, foreign exchanges of coin or bullion were scarcely known. When the increase of commodities, of commerce, and of the use of credit required it, the Bank of England was established with a capital of fourteen millions sterling, about seventy million dollars, invested in the national stock; with power to issue that amount or more in circulating notes. Its issues for many years past have, I believe, averaged about one hundred million dollars. But the government being obliged for its own sake and that of its internal and commercial system to provide an ample currency, had the good sense, when the volume of circulation was

liable to be diminished by an export of the coin into which the bank-notes purported to be convertible at will, to suspend that rule and to constitute the secured but now inconvertible notes, a legal tender. This in effect placed gold and silver in the list of commercial commodities, protected the internal interests of the people, maintained the volume of circulation, enabled the people to pay their debts in the medium at par in which they were contracted, and in fact rendered the country more prosperous, more able to make new loans to the government, more able to pay taxes, and by its increase of exportable commodities, more able to control the commerce and exchanges of the world, than at any period of non-suspension. This policy of suspending the redemption of the bank-notes in specie, and making them a legal tender on the ground of their being secured by the public debt, continued unchanged during about twenty-three years next prior to 1819. The expenditures of the government, during that period, for its foreign wars, its subsidies, its navy, and its colonies, were such as could not have been sustained a single year by a purely metallic currency or a currency convertible into coin. But at the close of that period, when the redemption of the notes in coin was resumed, being in a condition to export more of their own products than they needed to import of the commodities of other countries, and the expenditures for foreign wars having ceased, they soon turned the course of exchange between their own and other countries in their favor, drained other countries of their precious metals, made their own metropolis the depository of commercial property, balances and credits, and for the maintenance of their policy assumed the control of the commercial capital and credits of the world, which till lately they have asserted and maintained. They perpetrated a stupendous novelty! an immense experiment! They did in effect what now needs to be done for this country. It is now our turn, if we have the courage to assert it. And, as if to show to themselves and to us, that during the suspension and at the close of it, the British people had as much confidence in the secured notes as in coin, it is matter of history, that the first attempt to resume specie payments, though there was then gold enough in the country, failed, because the lowest denomination of the notes issued was five pounds—say twenty-five dollars, which the people did not wish to exchange for coin. The Bank then issued a supply of one-

pound notes, to obtain which on account of their convenience for ordinary circulation, vast sums of coin were deposited in the Bank, and no run or depletion ensued.

Let our Government try this experiment—let them assume that their loans from the people are as sacred and of as real and as high a value as any of the commodities or the personal obligations of the people; let them take the national stock in pledge as security for circulating notes; let them guarantee those notes by their indorsement, and make them a legal tender; let them thus interest every citizen in the public debt, and thereby secure the allegiance, loyalty, and support of all; let them reduce the pretensions of gold and silver, except for the smaller change, to the level of commercial traffic; let them provide a national, internal domestic currency, exempt from liability to be diminished or rendered fluctuating or insecure by the demands or the vicissitudes of commerce, and they need not fear a lack of confidence on the part of their constituents. It is not necessary to disparage, or to interfere with any of the existing banks in the country. If they choose to invest any part of their capital in national stock, and to receive and circulate such notes as are proposed, let them be free to do so. If any of them are of opinion that circulating notes, redeemable at will in coin at their own counters, will be safer and more advantageous, let them pursue that system. If the proposed system is open to their acceptance and that of new banking companies, it will take care of itself. The people will prefer the secured treasury notes to gold and silver; and they will be sure of having them unimpaired when by the operation of commerce those metals are withdrawn.

3. As to the actual and probable condition of things when the war is over, which render the adoption of the proposed measures expedient and obligatory.

1. When the rebellion is quelled and the war terminated, there will doubtless be such a rebound of all the energies and activities of the people as never was witnessed in any country. The people will for the first time distinctly realize what is meant by the comprehensive word GOVERNMENT, as an ordinance of God for the protection and well-being of the families and individuals of the nation. They will realize that they have a Government adapted to these ends and qualified to promote them. They will feel a degree of confidence in their

Government and of loyalty to it which they never felt before of confidence in its capacity and ability to protect their lives, liberty, property, and rights, and to provide for and promote their welfare. They will have confidence surpassing that of their prior experience in the security of their affairs, the transactions, enterprises, and investments. Their doubts and fears will vanish. Their pent-up energies will burst forth in all the forms of industrial and commercial activity. They will need and will demand a sound, ample, and uniform currency.

2. The state of things will inevitably tend to a vast excess of imports of foreign commodities, a reverse in the rate of foreign exchanges, a drain of our precious metals, and a consequent derangement and suppression of our existing currency which ought to be anticipated and guarded against.

3. The state of things in the nations of Europe will tend to precipitate an excessive and unprecedented export of the commodities to this country, to create a balance against us in their favor, and to restore to them the gold of which during the year's stagnation of foreign trade they have been drained in the purchase of food.

4. The export of cotton, heretofore so much relied on, is likely to be materially diminished. The culture and production of it may be greatly interrupted and reduced. The competition of supplies from other quarters may depress the price below the cost of cultivation here.

5. The foreign demand for corn, so unusual in its extent this present year, may not recur next year, or ever again to any considerable extent.

6. In the mean time, and when the rebellion is subdued, the Government will require additional loans, and an extraordinary amount of internal revenue—funds, resources which the people can not furnish, unless they are provided with a sound, ample, uniform, and inexportable currency. With a depleted treasury and a deranged and deficient currency, worse evils may arise than ought naturally to be caused by the most atrocious rebellion that ever happened. A state of things may occur which some foreign and rival nation may think proper to wage war upon us, tempted by our pecuniary weakness and exhaustion. Wars already imminent, may burst out in Europe, greatly intensifying their demand for the precious metals, and their efforts to possess themselves of ours. Can we pretend

the proper character of a nation—a nation governing themselves—a government adequate to its duties and obligations—if we do not foresee and fortify ourselves against such impending contingencies, such eventualities and contingencies, as already cast their portentous shadows across our horizon?

6. By no other than the proposed measures can I conceive of the interior States being provided with a sound and adequate currency. Yet the certainty and reality of their being provided with such a currency, is indispensable to their welfare. Suppose that by the aid of the current disbursements of the Government for soldiers and supplies, they get their surplus crops to market while they are in demand for export, and are thereby enabled to sustain their present burthens; and suppose there should be no such demand next year, and that when the Government disbursements cease they are left in their former condition as to their local currency—can they pay debts? Can they pay taxes? Can they sustain themselves and be prosperous? Can they sustain the ecclesiastical, educational, and other local institutions, without which, civilization, religion, morality, humanity, decency, can not be maintained?

7. What will be the condition of the deluded, impoverished, helpless people of the rebel States, when they lay down their arms, hang the traitors who deceived them, and resume their senses and their loyalty—destitute, hopelessly in debt, without resources and without credit—unless the Government provides a currency for them, on the basis of a plan and by the adoption of measures, likely to induce an influx of capital from the other States?

8. It may without extravagance be assumed, that this nation when it emerges from the ordeal of the present war, will by all other nations be deemed to have passed a fiery trial of its character, and of the principles, the efficiency, the competency, the stability, the security, and trustworthiness of its Government, which, while it evokes the admiration and the confidence of some, will excite and quicken the envy and jealousy of others. The spectacle of its success, of the majestic triumph of its principles, its constitution, its laws, its institutions, of its platform of equal rights and benefits, its justice, its humanity, its good faith, its self-denial, its common sense, and common prosperity and welfare, will arrest the attention of potentates and people in every quarter of the globe. Philosophers, poli-

ticians, moralists, and economists will ponder, speculate, and prognosticate upon it as having intimate and significant bearings on governments and peoples universally. They will look to see how we get on, after the impulse of strife and battle has subsided; what we practically mean by republican government and national independence, whether we have the wisdom and the resources requisite to our own internal security, prosperity, and happiness, whether we provide for ourselves and pay our debts, or like reckless spendthrifts demoralize and debase ourselves by borrowing of rival nations who secretly despise and openly defame us. If they see that we understand ourselves, our position, our internal interests, our relations to the rest of the world; that we take care of ourselves, protect our interests, are united, prosperous, and happy; that we are just to ourselves, and essentially independent of them,—their inferences may be beneficial to them and safe to us. If they see us embarrassed, enervated, crippled—exhausted and impoverished by adhering to their examples, their maxims, and their policy, and by an unsafe and insufficient currency; if they see us as a people universally involved in litigation among ourselves, growing out of our improvident, or our defect of, legislation respecting a currency; if they see us distracted, divided, discontented,—what then will be their conclusions, and what our prospects?

Mr. Secretary, though personally I am wholly unknown to you, and have no other means of knowing your sentiments than those common to the public, I venture to think that the suggestions above made, and those I am about to make, will, in some degree, tally with your own views and reflections. The position in which the Divine Providence has placed you implies the most grave official responsibilities and duties toward the whole people. The Creator and Ruler of the world exercises a moral government and a providential administration over the world—the nations, the families, the individuals of the human race. He raises up men for occasions and exigencies, assigns to them their position, and by His word and providence indicates to them their duties. With reference to this nation, in its present exigency, He has given to you a position most nearly related to the temporal interests and welfare of the whole people. A new and pregnant chapter in our national history is about to open. Some old ideas must be abandoned. The form of some peculiar institutions may require to

be essentially modified. New issues are pending. A new national policy, in some respects, may be a necessity; the determination of which may involve some questions of population and of sectional interests.

Now, can any man fail to see that henceforth the balance of electoral and representative power will have its seat west of the Alleghanies?—that a national policy too much modified by foreign ideas, relations, and interests to provide for the necessities, sustain the interests, and advance the prosperity of the whole WEST can not consist with the unity and harmony of the whole country?—that questions of internal security and progress will claim precedence over whatever outside questions, interests, and influences may be arrayed in competition?—that if the interior population are to transport their products a thousand miles to the Atlantic coast, and three thousand miles further by sea, to reach a market, to deduct the charges of conveyance, agencies, etc., and realize only what may be left of the price when sold in competition with local products, they must have some countervailing resource or security?—that they must at least have a sound and sufficient currency?—that they must be enabled by local advances on their products in years of excess, when there is no foreign demand, and must have the means of sustaining themselves in years when they have no excess, and years when their supply is unequal to their own consumption? But not to fall into the vein of an alarmist, or to trench in any degree on the sphere of politics, it may suffice, on this part of the subject, to refer in general to the lessons of the last ten years, and to the aspects and indications of the events now in progress. These lessons, if I rightly construe them, plainly import that if the national policy does not effectually protect the interests of the interior people, they will have a policy of their own; and if the unity of the nation and its government is to be perpetuated, the basis of unity in the security of its internal interests, the stability of its credit, the sufficiency and uniformity of its currency, must be provided without much delay.

No one formula of words, since the *science* of alchemy had its day, has had such power over the fancy and the credulity of large classes of men as the phrase FREE-TRADE. Taken in any literal or practical sense, it either means nothing—nothing ever practiced or even possible—or it is as sheer a figment of

quackery and imposture as ever was employed to delude mankind. It was invented in Great Britain, not for domestic application, but like the gilded toys of Birmingham, for export. Like their theoretical institutes of "political economy," mixed up with certain truisms, and called *science*, it was intended, not for domestic use, but for the instruction and guidance of other nations, to be taught in their schools, taken as authority in their legislation, and practiced by the people. The essence of the science in its relation to trade, as it was to be learned and acted upon by foreign nations, may be summarily described as teaching, that in the nature of things, *free* trade would be advantageous and profitable; that to be free, trade must be exempt from all restrictions, taxes, imposts, and other clogs; that in proportion as it is subjected to such incumbrances, it will be disadvantageous and unprofitable; that a nation acting on this theory, and trading with a nation that rejected it, would have the advantage and be the gainer; that a nation declining to adopt this theory in their commerce with its sagacious authors, would find themselves behind the age, and justly obnoxious to ridicule, contempt, menace, and coercion. The bait took—the theory gained ascendancy in various quarters. Different nations, ambitious of commerce and progress, placed themselves in an attitude of dependence on Great Britain for light as to their true policy, and for public loans and private credits, by way of consummating their thralldom, and holding themselves in as exhausted and impoverished a state as possible. The British, however, till a recent period, took care not to fall into their own trap. Their philosophers and ministerial agents preached free-trade, but persistently debarred the practice of it, till demagogues of the middle and working-classes made it their hobby, in opposition to the aristocrats, and drove the government to various nominal and to some actual concessions, by which the products of land and labor were to a considerable extent brought into active practical competition with the products of land and labor in other countries. From that time their commercial ascendancy, began to subside. Their control over the course of exchanges and over the precious metals of the world was checked and enfeebled. Under the corn-laws, for example, when prices rose above certain specified rates, the ports were opened, and the price reduced by supplies from abroad, so as to have the double effect of discouraging home

production and causing an export of the precious metals in payment for foreign corn ; and sometimes to have the further effect of causing disastrous panics in the money-market. Had the secured Bank of England notes been permanently constituted a legal tender, the ill effects referred to might have been prevented or materially diminished ; but that was forbidden by two considerations. The aristocracy, as land-owners and fund-holders, were tenacious of maintaining specie-payments whenever and as long as possible ; and the policy of the government being, with respect to free-trade, antagonist to that of other commercial nations, was supposed to demand the same thing, as a means of maintaining a control over the credit, the precious metals, and the currency of such other nations, and of establishing, with respect to them, their own metropolis as the center of exchanges and the great depository of commercial balances and of bullion.

But the bearings and effects of the theory of free-trade can not be fully discussed within any moderate limits. Its absurdity is of more easy exposition. I recall an apt off-hand illustration expressed by General Jackson, then a senator and at Washington, shortly after his nomination at Harrisburgh as a candidate for the office of President. His object was to leave his hearers in no doubt as to his opinions on certain points of public policy, and among them, on that of protecting manufactures against foreign competition. The substance of his observations was as follows : The doctrine of free-trade is a preposterous humbug. Were it sound, and good for the nation, it would be good for distinct classes of the people in their particular employments and relations ; if good in foreign commerce, it would be good in domestic pursuits and dealings ; in agriculture, for example. Suppose an hundred farmers, owning an hundred adjoining farms, of different extent of area, and variously adapted to grazing and tillage, should discover that, according to the principles of free-trade applied to free-farming, the existing partition and lot-fences were, like imposts on foreign wares and other regulations of trade, injurious incumbrances and clogs, subjecting them to continual expense, and rendering their business unprofitable, and should therefore determine to avail themselves of the principles of free-trade, and proceed to rid themselves of such ruinous restrictions and changes, by removing all fences, and throwing the lands into

'commons. Being now free, and each at liberty to make the most for himself from his privileges and enterprise, the graziers would turn loose their horses, cattle, sheep, and hogs, to enjoy an unchecked range over all the farms. The culturist of wheat would plow and sow, but his crop would be annihilated by the competition of hordes of hogs and cattle. Fruits on one farm would be free to the owners of all the rest. Confusion, ruin, and starvation would ensue, at least to all except the intrusive and powerful graziers. At the close he said, with energy, that, if he could have his way, he would surround the country with a wall of brass thirty miles in height, and take care as to what was allowed to be brought in, and what to be carried out.

That a Government pretending to protect and promote the interests and welfare of the people, should permit other nations at pleasure, to thrust upon it their commodities, whether wanted, useful and necessary, or not; and to carry away in payment that, the export and loss of which would have much the same effect on their condition as an act stifling their respiration, obscuring their vision, or manacling their limbs—the effect of paralyzing their energies, rendering worthless the fruits of their labor, subjecting them to the rigors of pecuniary and penal laws, reducing them to extremities of embarrassment and misery, making them objects of mutual alienation and contempt, impoverishing, disheartening, degrading, ruining, and driving them to desperation, is, on the face of it, alike absurd and criminal; and any approximation to a policy tending to such results, should be regarded only with horror and execration. Can not, ought not, a people who have sense enough to be governed; and to have a government administered by agents of their own choosing, to take care of their own internal and domestic interests and welfare? Is such a people, possessing an extent of territory greater than that of all the rest of the so-called civilized world, and separated from it by latitudes, climates, and oceans, and having exhaustless sources and varieties of all necessary and useful supplies, incapable of discerning what it owes to itself, and what most concerns its own domestic comfort, security, and welfare? Need they voluntarily and gratuitously make themselves dependent for their own social life and welfare on the policy of the antipodes—the policy of far off nations where, from age to age, nine tenths of the people are hopelessly poor, doomed to be over-worked, or to be idle,

liable to be starved, and, at best, certain to be degraded? May not such a people, with such a system of self-government, and with such exhaustless resources, venture to trust themselves?—venture to put their own estimate on what they regard as property—on land, labor, products, debts?—venture to regard a mutual and irrevocable pledge of their whole property as good security for the *tokens* which among themselves as joint partners, they pass from hand to hand in settlement of balances?—venture to estimate that pledge at as high a rate as they estimate the negotiable notes, and the verbal promises to pay, of individuals, given and taken freely in private personal transactions?—venture to guarantee each other against all arbitrary exercises of the money power by individuals, and to make it certain that he who buys, on three months' credit, a thousand bushels of wheat for a thousand dollars' currency, shall not, when pay-day comes, be liable (owing to an export in the mean time of the precious metals and an annihilation of the currency) to sacrifice two thousand bushels of wheat to pay his debt, or to be harassed and tortured under legal process, or else to be outcast and degraded as a bankrupt?—venture to estop and purge away the cause of more than half of all the mental and physical miseries of the individuals and families of the nation—the ceaseless anxieties, fears, forebodings—the reverses, losses, impoverishments, degradations, demoralizations of young and old, of the most virtuous and industrious, of those whose talents, energy and enterprise are most essential to the character and welfare of the nation?

No doubt many, who, from their education and from their commercial associations and pursuits, have imbibed a prejudice in favor of what they theoretically understand to be the tendency of free trade, could the practice of it be reciprocally carried out between different nations, will be opposed to the adoption of such measures as those hereinbefore proposed. They may argue on a comprehensive scale that if the labor, products, and trade of all nations could be brought into direct and unrestricted competition, the best results would follow. But this is mere assumption and conjecture; and the consent of all nations to any fixed rules and terms to be binding upon all, may safely be considered to be as impossible, as that they should all agree to speak one language and adopt one form of government. We can not wait for such a consummation, nor

afford to sacrifice ourselves in endeavoring to bring it about, even were it certain that at last the best results would follow. For the present we must take things as they are; and it can not be denied that as things are, the uncontrollable tendency of free trade, to whatever extent it may be literally practiced by a nation whose currency consists of metallic coin, or jointly of coin and paper redeemable in coin, is to drain such nation of its precious metals, and to derange, suppress, and annihilate its circulating medium. This is the very object, motive, and life of the whole doctrine as employed by its inventors. And I therefore insist that two alternatives only are before us.

1. We may continue our present system and submit to whatever panics, revulsions, derangements, humiliations, and miseries may follow upon the issue of our present forced and anomalous condition. That our gold will be exported I take to be as certain as that the operations of commerce will be renewed and extended. Whether or not we yield to the menacing intimations of our European rivals, and repeal the Morrill Tariff; whether we modify our imposts in one direction for the sake of revenue, or in an opposite direction by way of progress in free trade, or leave the subject as it is, our gold will be drawn away, if not to the dregs, yet to an extent sufficient to cause the panics, derangements, and evils referred to. Even now a quarter per cent rise in the price of foreign exchange, in Wall street, suffices to precipitate a fall of stocks and of corn, and to create a panic, which, by means of the telegraph, is made in an hour or two to vibrate through every seaport and every interior city and village of the country. On the other hand, and from other points of view, the ablest bankers and financiers are said to feel burdened by the accumulation of the precious metals, and to be anxious to be relieved by export.

2. We may place our currency on another basis; make it inexportable, and exempt it from liability to derangements and fluctuations, whether in quantity or in uniformity of value. In that case we need not trouble ourselves much about free trade. A free trade, at least, in bullion, may be allowed without hazard to our internal or our commercial interests. We have all the requisite elements of strength and independence, if we can but manage them aright. We have more things of value which we can spare, than other nations have means of purchasing and paying for. We can sustain ourselves if they purchase nothing

from us. They can not long get on without our custom—our consumption of their commodities. We have scope for coast-wise and internal commerce, and both capacity and means for all the external commerce that would be beneficial. We are free to take our stand, to dictate our policy, to be A NATION, and to fulfill our mission and our destiny as a nation.

Should the measures above indicated appear to be so far eligible and practicable as to justify the adoption of them, a general concurrence of opinion in all quarters, immediately, must not be expected. No such change can be expected instantly to unite the opinions of all. When I first proposed and published the plan of free banking in this State, (in the Essay above referred to,) it was unwelcome in the most influential quarters. A single individual, the late Isaac Brunson, only, among the capitalists, financiers, and bankers of New-York, promptly sanctioned, and earnestly endeavored, at much expense of time and of personal inconvenience, to secure its adoption. Had the legislators of that period possessed the intelligence of that remarkable man, and had the *lobby* of that period possessed any thing of the nature of his integrity, the provisions of the bill as originally passed would, in respect to the securities authorized, and in some other details, supplied in subsequent acts, have been different. I did my best to have the securities to be taken restricted to, 1st, the stocks of the United States; 2d, to the public stocks of this State; and, 3d, to the stocks authorized by the Legislature to be issued by the incorporated cities of this State; and to have mortgages on land, and the stocks and bonds of other States wholly excluded; trusting, that when the plan had been tried on the basis of unquestionable public stocks, and when an adequate supply of those preferred securities was found to be unattainable, the proper authorities would be prepared to decide what was then safest and best to be done. You will, I trust, excuse me, if I add, that of the banks of the city of New-York, whose executive officers were most averse to my plan, and to all the details of it, one became bankrupt, and paid little or nothing to the holders of its notes. Another was a sound and respectable institution, which had never earned and divided more than five per cent per annum on its capital, and sometimes had passed a dividend; but which, since the expiration of its prior charter, and its adoption, in preference to winding up and becoming

extinct, of the Free Banking Law, and giving the required securities, has divided ten per cent per annum, and sometimes twelve, without ever realizing, or even dreaming, that the difference was owing to any thing else than to its own natural instincts, and its superior sagacity, intelligence, and innate merits. Such, under our system of abject submission to foreign ideas, imported theories, and hereditary policy, is our experience and our history, making common-sense ridiculous, and patriotism a disgrace.

With high respect,

I am your obedient servant,

ELEAZAR LORD.





